



What Caused Sub-Saharan Africa's Marginalization in World Trade?

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Sub-Saharan Africa's share in world exports has been shrinking. The evidence suggests that anticompetitive domestic policies rather than trade barriers played a key role in this decline.

SUB-SAHARAN Africa's importance in global trade has declined over the past 30–40 years. Exports from sub-Saharan Africa accounted for 3.1 percent of world exports in 1955, but by 1990 its share had fallen to 1.2 percent—implying annual trade losses of \$65 billion in current prices. Part of this outcome reflects declining global demand for key export products, but part is due to a substantial erosion of their market shares. Indeed, if sub-Saharan Africa had merely maintained its 1962–64 export shares for major products, the region's exports would now be more than double (\$11 billion higher than) their current value.

Surprisingly, trade barriers do not seem to have played an important role in this decline—in fact, industrial countries' trade

preferences made export market access conditions more favorable for the countries of sub-Saharan Africa than for exporters in many other countries. Rather, the sub-Saharan African countries' own trade and transport policies incorporate a substantial anti-export bias, which lessens their ability to be competitive in international markets. This finding accents the importance of moving forward with domestic policy reforms if the countries of sub-Saharan Africa are to reverse their diminishing role in world trade.

Export performance

Perhaps the most striking feature of the performance of sub-Saharan Africa's major export products from the 1960s to the present is the extensive erosion of export market shares. For example, during 1962–64, copper alloys were sub-Saharan Africa's single largest export; the region supplied 32 percent of the copper alloys imported by the member countries of the Organization for Economic Cooperation and Development (OECD). By 1991–93, this share had dropped below 10 percent. Similarly, sub-Saharan Africa's market shares for other key commodities such as fixed vegetable oils, palm oil, palm nuts and kernels, and groundnuts fell 47 to 80 percentage points below the levels seen in the early 1960s. For

the 30 most important non-oil exports combined, sub-Saharan Africa's average market share declined from 20.8 percent to 9.7 percent of world exports of those products, implying annual trade losses of about \$11 billion, during this same period.

Aside from the loss of market shares for key exports, a second major adverse factor affecting exports from sub-Saharan Africa was declining global demand for these products. From the early 1960s to the 1990s, world trade in all nonfuel products grew at a compound annual rate of 11.8 percent, yet the corresponding growth rate for the types of products sub-Saharan Africa exports was about 4.5 percentage points lower. Thus, sub-Saharan Africa suffered from a two-pronged problem—the region experienced declining market shares for its major exports, which, in turn, were of declining relative importance in world trade.

Trade barriers

Can sub-Saharan Africa's poor export performance, as reflected in market share losses, be attributed to OECD trade barriers? Any assessment of the influence of import duties is complicated by the widespread extension of preferential tariffs by industrial countries. Developing countries in sub-Saharan Africa receive one of two types of general preferences: those

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Table 1
**OECD trade barriers on sub-Saharan African
 nonfuel exports are low**
 (percent)

	OECD tariffs		OECD nontariff barrier coverage ratio ¹		
	On imports from sub-Saharan Africa	Sub-Saharan African margin ²	On imports from other OECD countries	On imports from all developing countries	On imports from sub-Saharan countries
Incidence of OECD trade barrier	0.63	-2.41	9.7	16.6	10.8

Source: World Bank-United Nations Conference on Trade and Development (UNCTAD) database.

¹ The share of imports (by value) from the partner country group that are subject to nontariff barriers.

² This figure shows the average preferential margin (in points) countries in sub-Saharan Africa receive over all other suppliers of the same export products. A negative number indicates that tariffs on sub-Saharan African exports are lower than those on exports from other regions.

provided under the European Union's Lomé Convention and those provided by other OECD countries under the Generalized System of Preferences (GSP). Many GSP schemes further differentiate between developing countries in general and those the United Nations has designated as "least developed countries" (which are predominantly in sub-Saharan Africa). These schemes extend even lower preferential tariffs to the latter group of countries.

Once account is taken of these preferences, tariffs on sub-Saharan African exports to all OECD markets are very low, averaging about six-tenths of 1 percent (Table 1). Such low duties should not constitute a significant import barrier since a number of East Asian economies—Hong Kong, Korea, Singapore, and Taiwan Province of China—faced and overcame average tariffs of 16 to 18 percent when they began their successful export-oriented industrialization drives in the 1960s. Aside from the low applied OECD tariffs, the table shows that sub-Saharan Africa receives tariff preferences that should have enhanced the region's ability to compete internationally. Overall, OECD tariffs on sub-Saharan Africa's exports average 2.4 percentage points below duties on these same goods when they are shipped from other exporters. Furthermore, once account is taken of the OECD preferences, tariff barriers facing Africa's processed commodity exports are about the same as those on unprocessed goods.

Since sub-Saharan Africa's poor export performance does not appear to be caused by OECD tariffs, do other forms of protectionism have an influence? Aside from import duties, industrial countries apply nontariff barriers (NTBs), such as quotas and restrictive licensing requirements, to

imports. Any assessment of the influence of protectionism facing sub-Saharan Africa must also examine the influence of these measures. Furthermore, since the 1994 Uruguay Round agreement made major changes in the ability of General Agreement on Tariffs and Trade (GATT) members to apply these restrictions, one should analyze the incidence of NTBs facing sub-Saharan Africa both before and after the negotiations.

"Sub-Saharan African countries' own trade and transport policies incorporate a substantial anti-export bias."

What does the available information show as to the nature and extent of developed countries' nontariff barriers? As Table 1 indicates, OECD nontariff measures affect a notably higher share of imports from all developing countries than they do for intra-OECD trade. Approximately 17 percent of developing countries' non-oil exports encounter NTBs, while the corresponding share for intra-OECD trade is about 10 percent. However, NTBs imposed on sub-Saharan African exports are considerably less extensive than those facing other developing countries, and are about the same as those for intra-OECD trade. Only about 11 percent of nonfuel exports from sub-Saharan Africa face NTBs, reflecting the fact that most of these countries' textile and clothing products are not affected by Multifiber Arrangement (MFA) restrictions. Within sub-Saharan Africa,

Mauritius is a noteworthy exception, with \$116 million, or 88 percent, of its textile and clothing exports to the United States being covered by textile quotas. Also, Kenya recently had these restrictions applied to some of its textile exports to the United States.

Uruguay Round impact

How will the Uruguay Round influence the overall level of nontariff protection facing sub-Saharan Africa? Using published details of the agreement, the World Bank computed pre-Uruguay Round NTB coverage ratios for each sub-Saharan African country and also estimated what the ratio will be after the agreement is fully implemented. In order to more easily assess the impact of the Round, sub-Saharan African countries were classified into one of four groups (highly NTB-affected, moderately affected, lightly affected, and largely unaffected) based on their pre-Uruguay Round coverage ratios.

Overall, the share of all nonfuel exports from sub-Saharan Africa that face NTBs should decline from approximately 11 percent to about 3 percent. NTBs were not a major adverse factor affecting total sub-Saharan African exports before the Round, and they will be of even less importance once the agreement is fully implemented. However, for the few "highly affected" economies, the projected change in nontariff barrier coverage ratios are dramatic. Prior to the Round, 83 percent of Réunion's exports (largely sugar) faced OECD restrictions—this ratio should fall to zero as a result of the agreement. The NTB coverage ratio for Mauritius should decline by almost 60 percentage points (to just over 2 percent) after textile and clothing restrictions are lifted, while the tariffication of agricultural NTBs will cause Cape Verde's ratio to decline from about 40 percent to zero.

Transport costs

Most analyses of developing country trade problems give insufficient attention to transportation costs. While it is generally recognized that different types of barriers affect developing countries' exports, most studies have concentrated on measures such as tariffs, quotas, and other government-imposed restrictions. However, even small variations in international transport costs can have an important influence on the location of export industries. We need to ask, therefore, to what extent adverse international freight costs and

Table 2
Sub-Saharan Africa's freight costs for exports to the United States, 1993

Transport mode	Distribution of nominal freight costs ¹				Average adverse transport margin (percentage points) ²	
	Quartile				Median	Range
	First quartile	Median value	Third quartile	Range		
Air	5.3	14.1	26.5	0.5 to 87.4	3.5	-13.9 to 71.2
Vessel	4.6	7.5	13.8	0.2 to 56.1	2.1	-5.8 to 39.9

Source: US Department of Commerce census trade tapes.

¹ Freight costs are the ratio of transport and insurance costs to the value of exports.

² Positive values reflect adverse transport costs.

transport problems might have contributed to the relative decline of sub-Saharan Africa's exports in global trade, and whether domestic freight and transport policies have been a contributing factor.

Many sub-Saharan African countries adopted anticompetitive cargo reservation policies, which require that a certain share of trade be handled by national shipping companies to foster the development of national fleets and to conserve foreign exchange. National flag registration statistics and balance of payments data show that neither of these objectives is being achieved. For example, during 1990–91, sub-Saharan Africa's net freight and insurance payments were about \$3.9 billion, which represented approximately 15 percent of the value of the region's exports, compared with 11 percent in 1970.

Individual countries' statistics reflect a wide degree of variation. Net transport and insurance payments to foreign suppliers absorbed more than 25 percent of the value of exports for one-third of the sub-Saharan African countries, and exceeded 70 percent for Somalia and Uganda. Such payments averaged 42 percent of the value of exports for the 10 landlocked countries (Burkina Faso, the Central African Republic, Chad, Ethiopia, Malawi, Mali, Niger, Uganda, Zambia, and Zimbabwe), almost 25 percentage points more than the average for other countries in the region. These data imply that a large share of sub-Saharan Africa's foreign exchange earnings, which might otherwise be used for productive investment, are being used to pay for international transport services.

Related information on nominal freight rates (the ratio of transport and insurance costs to the value of exports) can also provide important information on the influence of these charges on sub-Saharan Africa's commerce. Several countries

compile information on international transport and insurance costs for imports. Drawing on detailed data provided by the United States, Table 2 provides summary statistics on 1993 transport and insurance costs for all non-oil exports from sub-Saharan Africa to the United States. The table shows nominal air and vessel freight rates by quartiles, as well as the difference between freight rates for exports from sub-Saharan Africa and those on the same products from competitors (the transport cost margin—positive values reflect adverse transport costs).

Overall, the countries of sub-Saharan Africa generally are at an important

“Overall, the countries of sub-Saharan Africa generally are at an important transport cost disadvantage relative to competitors.”

transport cost disadvantage relative to competitors. One-half the nominal vessel freight rates are more than 2 percentage points above those paid by other exporters of the same goods, and a larger adverse margin occurs for air freight than for vessel shipments. The third quartile values indicate that one-fourth of sub-Saharan Africa's air exports have freight rates that were approximately 26 percent higher than those faced by competitors, while one-fourth of exports by sea faced nominal freight rates that were almost 14 percent higher than competitors' rates. These comparisons clearly suggest that, unlike OECD tariffs or NTBs, international transport costs have a significant adverse impact on the level of African exports. Moreover, these international transport cost statistics do not

incorporate the cost of inland transportation or port charges, which may be very high for some countries. The importance of the latter should not be underestimated. For example, World Bank data show that port charges for clearing a 20-foot-long container through Abidjan, Côte d'Ivoire and Dakar, Senegal were \$1,100 and \$910, respectively. In contrast, the ocean freight cost for shipping the container to Hamburg, Germany or Le Havre, France ranged between \$1,350 and \$1,430.

Aside from generally being higher than competitors' freight costs, the structure of sub-Saharan Africa's transport costs appears to have an important adverse impact on the types of goods exported from the region. Specifically, nominal freight costs for many processed commodities (like cocoa powder and butter) are higher than those on the primary unprocessed component (cocoa beans). Similarly, those on processed products like plywood and veneers are higher than those on rough or sawn logs. Sub-Saharan African countries may have many reasons for wanting to shift to exports of processed goods (greater price stability, job creation, increased levels of export earnings, etc.), but the structure of freight costs often works against local processing of domestically produced commodities.

What factors account for these adverse transport costs, and what corrective policy measures are available to deal with them? Available evidence suggests that the anticompetitive cargo reservation policies adopted by most sub-Saharan African countries have had an important adverse influence on freight costs. Recognition of the true effects of these policies carries with it the prescription for corrective action—deregulation. World Bank studies for other regions show that deregulation and the promotion of competition for shipping

Table 3
Trade barriers in sub-Saharan Africa are high

Exporter group	OECD imports, 1992-94 (million dollars)	OECD import growth from 1962-64 to 1992-94 (percent)	Exporting groups' own trade barriers, 1994 (percent)	
			Tariff level	Nontariff barrier coverage ratio
Sub-Saharan Africa	15,146	5.41	26.8	34.1
Fast-growing non-OECD	271,157	16.77	8.7	3.7
High-income non-OECD	105,364	18.83	3.4	4.0
OECD countries	1,394,252	12.39	6.1	3.8

Sources: United Nations Conference on Trade and Development (UNCTAD), *Directory of Import Regimes*, 1994, and *Handbook of Trade Control Measures of Developing Countries*, 1987 (Geneva: UNCTAD); GATT/World Trade Organization, *Trade Policy Review Mechanism Reports* (Geneva), various issues.

services may reduce ocean freight rates by as much as 50 percent.

Furthermore, numerous investigations show that there are far more options for reducing transport costs than is generally recognized. These options cover such measures as cargo bulking to achieve economies of scale, rationalization of shipping services, improved scheduling for liners, adoption of procedures to speed vessel turnaround, utilization of potentially lower-cost tramp services where feasible, development or improvement of coastal feeder services, unitization, adoption of new transport technologies, promotion of shippers' associations, and port and storage improvements, to name a few. Deciding which measures are best requires detailed analyses such as cost-benefit studies of transport costs and systems at the country or regional level.

Own trade policies

Considerable evidence shows that trade policy reforms in developing countries can make an important contribution to the acceleration of their industrialization and growth. Import restrictions frequently create a bias against exports that prevents local entrepreneurs from capitalizing on export opportunities. High tariffs and NTBs may significantly raise prices for production inputs and greatly diminish potential exporters' ability to compete in foreign markets. Since OECD trade barriers do not appear to account for sub-Saharan Africa's marginalization in world trade, this raises the question of whether the region's own trade policies were a factor.

Table 3 shows cross-country comparisons of average tariffs and the NTB coverage ratio for imports into sub-Saharan Africa and three other groups of countries. The fast-growing non-OECD group consists of those developing countries that during 1962-64 to 1992-94 achieved

compound annual nonfuel export growth rates that were at least 1 percentage point higher than that for world trade. The trade of these fast-growing exporters expanded at annual rates that ranged from 2.3 to 4.6 times the average rate of trade growth for sub-Saharan Africa.

Do the protectionist profiles of these superior export performance countries differ markedly from those of sub-Saharan Africa? Apparently they do—sub-Saharan African trade barriers are far more restrictive than those of any other group. Tariffs in the countries of sub-Saharan Africa average 26.8 percent—more than three times those of the fast-growing exporters, and more than four times the OECD average. OECD members reduced their tariffs by almost 40 percent in the recent Uruguay Round (to about 3.9 percent), and many of the fast-growing exporters also made important concessions on trade barriers. In contrast, sub-Saharan Africa's trade barriers were virtually unchanged by the Round. As a result, the current spread between sub-Saharan Africa's tariffs (and between its tariffs and other import charges combined) and those in the other countries has widened, threatening export competitiveness.

While there are major differences between the level of tariff protection in sub-Saharan Africa and countries in other regions, the divergence in the use of nontariff protection is even sharper and has even more negative implications. Over one-third of all sub-Saharan African imports encounter some form of nontariff restriction. This is more than nine times higher than the corresponding average (3.7 percent) for the fast-growing exporters, and more than eight times the average for the high-income non-OECD countries.

There is reason to believe that the detrimental impact of these NTBs imposed by countries in sub-Saharan Africa is

considerably greater than that of tariffs. Specifically, if foreign producers become increasingly efficient relative to domestic producers, they may be able to erode a tariff's protective effects over time. This would increase sub-Saharan African nationals' access to lower-cost foreign products that would improve living standards and the region's ability to compete in foreign markets. Under most nontariff barriers, however, no such beneficial adjustment is possible, since the volume of goods that can be imported is subject to fixed limits.

Policy implications

Empirical evidence provides little support for the proposition that trade restrictions in OECD markets caused sub-Saharan Africa's marginalization in world trade. The share of sub-Saharan African exports subject to nontariff barriers is far lower than that of other developing countries that launched successful export-led industrialization drives. In addition, tariff preferences extended under the Lomé Convention or the OECD members' Generalized System of Preferences provide countries in sub-Saharan Africa with more favorable market access than that for many other exporters of similar products. In contrast, international freight costs and domestic policies relating to transport services appear to have a major negative impact on the region's exports. In addition, trade barriers imposed by the countries of sub-Saharan Africa are far more restrictive than those in countries that have achieved the highest export growth rates, and incorporate a substantial anti-export bias. If sub-Saharan Africa is to reverse the unfavorable export trends of the past two decades, it must quickly adopt appropriate trade and structural adjustment policies to enhance its international competitiveness and permit its exporters to capitalize on opportunities in foreign markets. Although transitional costs will accompany the liberalization, undue delays in the adoption of such efficiency-improving measures will further add to adjustment costs. [F&D]

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